



Colombia: Plastic Equipment, Materials and Resins Industry (PMR)

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May 09

Summary

The plastic equipment, materials and resins sector in Colombia has excellent growth potential for three reasons: it is an untapped market, it is competitive internationally and it has low investment barriers. The plastics sector is one of the most important Colombian industrial clusters because it is a value added export segment. Including equipment, materials and resins, the plastics sector represented US\$2.2 billion in 2008, with a growth rate of 14.2 percent. This market represents approximately one percent of the total Colombian GDP.

The sector reflects the growth of the Colombian economy which peaked in 2007 at 7.7%, showing steady increases in 2005 of 4.7% and 6.8% in 2006. This positive growth was due to improved security conditions and high commodity prices for principal exports such as oil and coal, which attracted greater Foreign Direct Investment (FDI) and stimulated internal demand for goods and services. The global financial crisis began to affect the Colombian economy in 2008 when GDP growth dropped to 2.5% despite FDI reaching a record level of US\$10.5 billion dollars. The outlook for GDP growth in 2009 is flat or even negative one percent and FDI is expected to decline sharply as well.

The United States is the market leader followed by Mexico, South Korea and Brazil. The implementation of the U.S.-Colombia Trade Promotion Agreement (TPA) will have a positive effect on the industry as costs related to U.S. imports will decline and thereby make these products even more competitive internally and externally. Colombia will eliminate tariffs on 60 percent of resin and manufactured plastic exports immediately upon implementation of the agreement. Tariffs on another four percent of exports will be eliminated over five years, and tariffs on 30 percent will be eliminated over seven years. Only six percent of U.S. plastics exports will be subject to ten-year staging in Colombia.

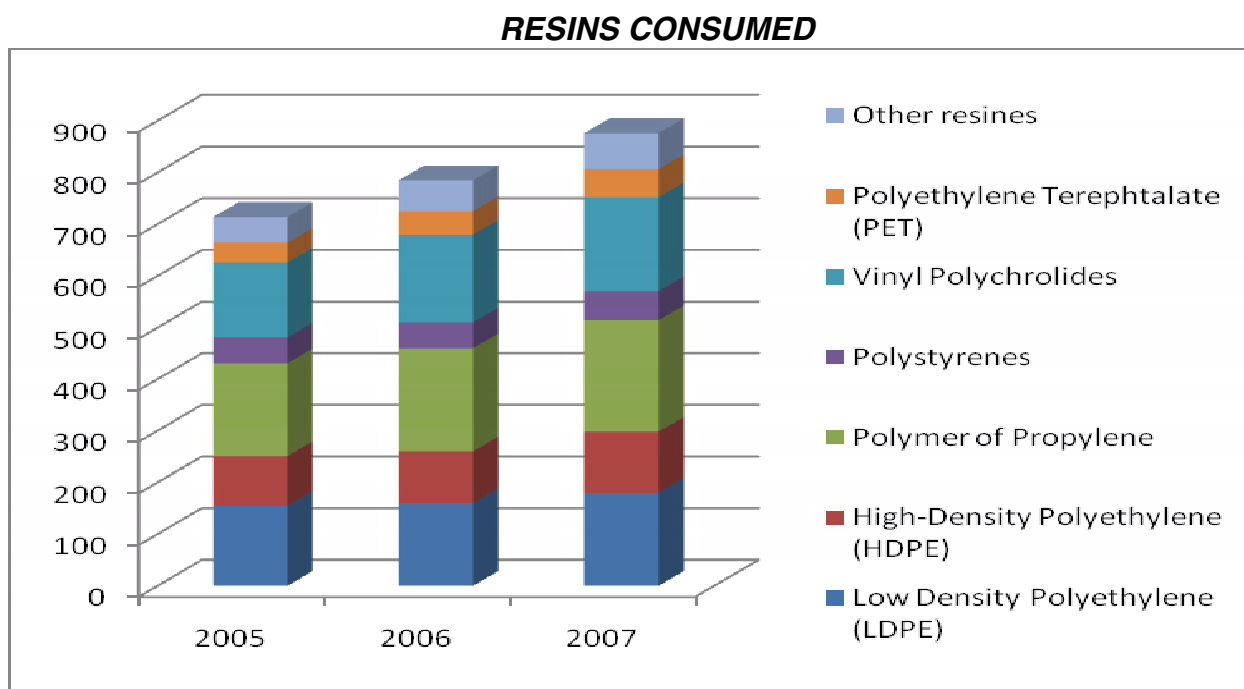
Market Demand

In Colombia the plastics industry uses a wide variety of resins. Domestic producers account for 92% of the resins consumption. Resins produced in Colombia and imported include:

- Low Density Polyethylene (LDPE)
- Linear Low Density Polyethylene (LLDPE)
- Medium Density Polyethylene (MDPE)
- High-Density Polyethylene (HDPE)

- Some Metallocenes
- Homopolymer of Propylene
- Copolymers of Propylene
- Suspensions and Emulsion PVC's
- All purpose and high impact Polystyrenes
- Polyethylene Terephthalate resins for films and sheets (PET)

The graph below illustrates resins consumption in Colombia between 2005 and 2007:



Source: ACOPLASTICOS

Thousands of tons

Note: Low Density Polyethylene includes linear. Polymer of Propylene includes Homopolymer and Copolymers.

Colombian industry consumed 714,000 tons of plastic resins in 2005. In 2006, consumption grew 10% reaching 785,000 tons and in 2007 it reached 876,000 tons which represents an annual growth rate of 11.6%. The demand for resins in Colombia in 2007 was concentrated in Polyethylene (34%), Propylene Polymers (25%), Vinyl Polychlorides (21%), Polystyrenes (6.6%) and PET (5.8%).

Colombia's local production of conventional Polyethylene (LDPE) is supplied by a single plant with a production capacity of 56,000 tons per year. Imports cover the balance of the demand. Local production of resins such as Polyvinyl Chloride (PVC) is sufficient to fulfill most of the domestic demand that reached 182,000 tons in 2007. The same is true for Polystyrenes. Likewise, Polyethylene Terephthalate (PET) resins used to manufacture disposable and non-disposables containers are manufactured in Colombia in sufficient quantity to cover market demand. The total local production figures increased marginally each year and were

approximately US\$1.6 billion (2008), US\$1.4 billion (2007) and US\$1.2 billion (2006). In sum, between 2006 and 2008, Colombia's local industry supplied 50% of the market demand. The other 50% was covered by imports, which creates a significant market opportunity for U.S. suppliers.

The industrial sectors that utilized resins between 2005 and 2007 are shown in the following table:

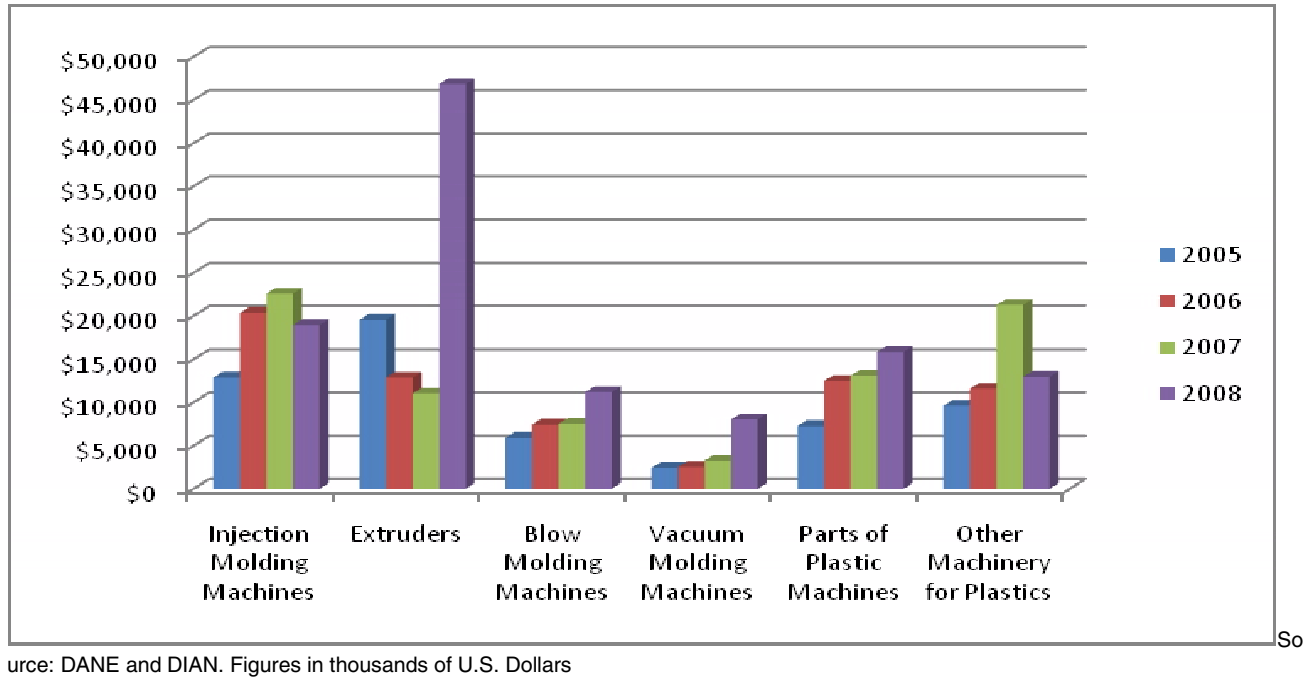
Sector	Material Plastic Consumed (% in average weight)
Packaging and disposable and non-disposable containers	54
Construction: pipes, accessories, floors, cables, ceilings, etc	21
Massive consumption: shoes, brushes, kitchen accessories, furniture, mattresses, sweeps, etc	9
Agriculture: accessories, greenhouse films, pipes, hoses, etc	8
Others: parts for automotive, electrical and sport industries, among many more.	8
TOTAL	100

(Source: Acoplásticos)

From the table, one concludes that the performance of the plastics industry is highly dependent upon the industrial sector and the overall performance of the Colombian economy in a given year. The World Bank estimates the Colombian population in 2008 to be 45.6 million. Thus, it is possible to estimate that the annual consumption per capita of plastic products in the country is about 19.7 kilograms per person.

Colombia does not manufacture the equipment required by the industry. Such equipment is imported. The United States is one of the major providers of equipment for the plastics industry. The chart below illustrates industry demand for injection molding machines and extruders. This segment performed well in 2007 as did the general parts for plastic machines segment. The following year, 2008, the demand for extruders rose significantly due to higher consumption generated by the excellent performance of the Colombian economy. The total amount of the machinery and parts needed by the plastic industry in 2008 reached US\$113.9 million a 44% increase over 2007 (US\$78.8 million).

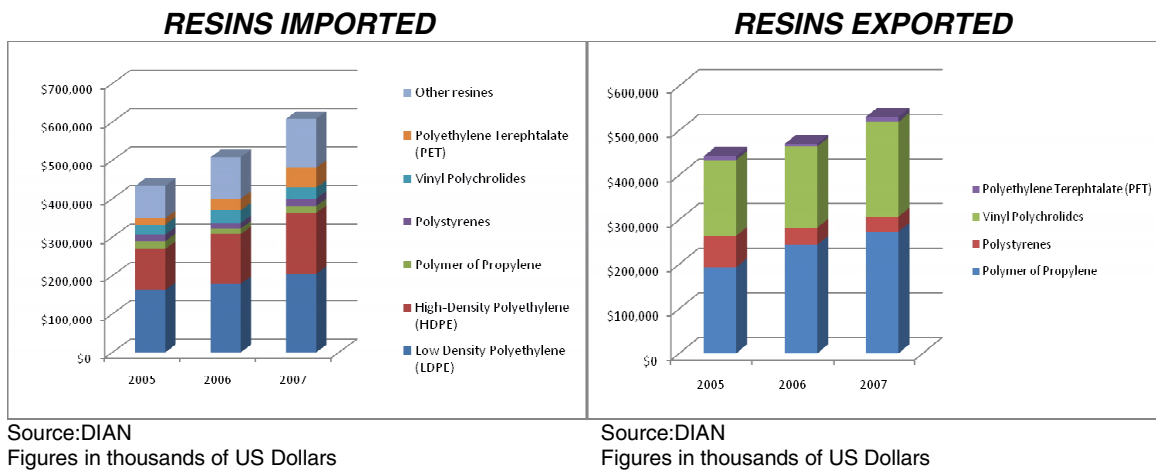
PLASTIC MACHINERY DEMAND



Market Data

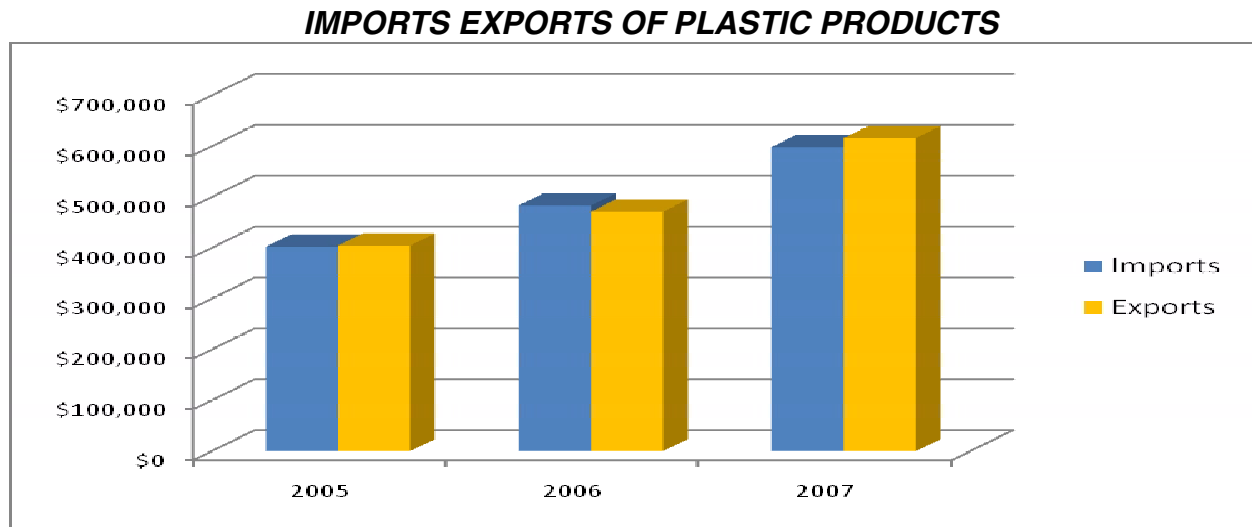
To better understand the dynamics of the plastics and resins sector, this report includes relevant data related to imports and exports of resins, imports and exports of plastic final products and the countries of origin. This data allows the reader to estimate the size of the market of this sector.

The resins most imported between 2005 and 2007 were Polyethylene (low and high density) which reached an average of 60% of the sector's total imports. As seen in the chart below, the quantity of the resins imported increased steadily beginning in 2005 at USD\$433.6, 2006 USD\$508.4 and finally reaching US\$608 in 2007.



The most exported resins were Polymer Propylene (in 2007 US\$272.5 million) and Vinyl Polychlorides (in 2007 US\$212 million) because local industry produced them so efficiently. Total exports increased gradually beginning at US\$442.2 million in 2005, US\$470 million in 2006 and finally reaching US\$530.1 million in 2007.

Resin imports originated mainly from the United States, South Korea and Venezuela. Resins exports mainly went to countries in South America and Central America.

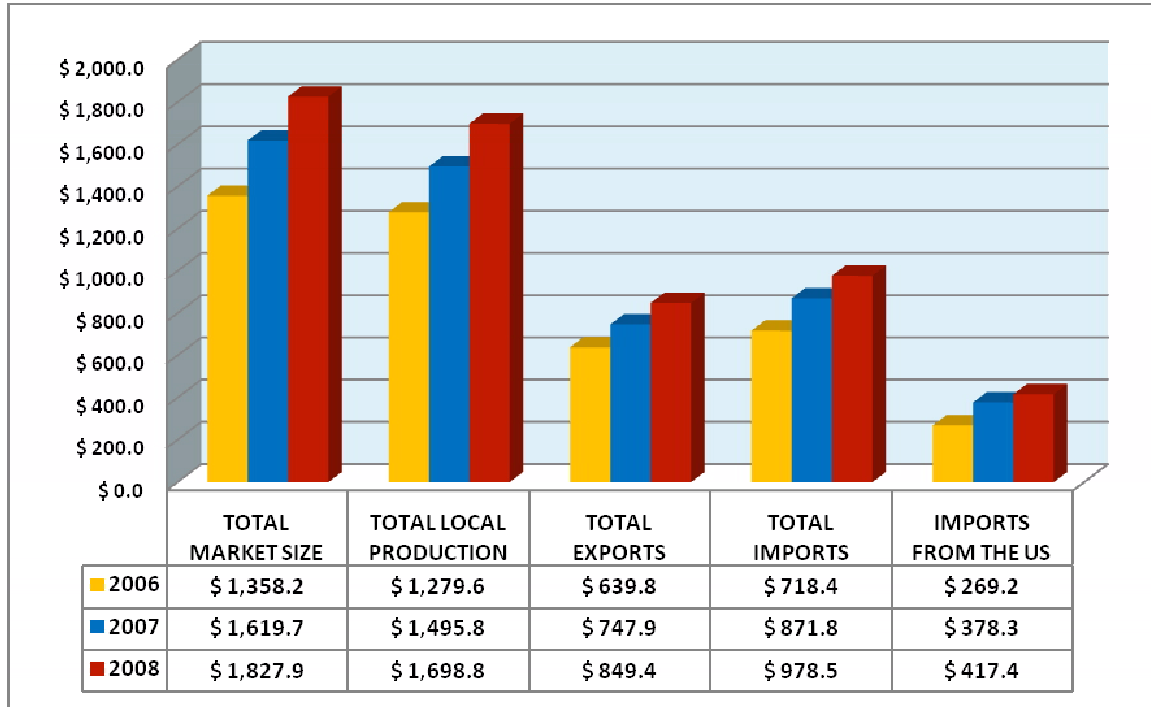


Source: DIAN, DANE, ACOPLASTICOS
Figures in thousands of dollars

The dynamism of the Colombian economy spurred growth in plastics materials import and exports as well. Plastic products imports concentrated on: slabs, sheets, films and plates (40.4%); plastic and rubber footwear and its parts (16%); items for packaging including caps and plastic zippers (14.8%) and plastic parts identified in the import tariff concept No. 3926 (10.8%). The United States, China and Brazil are the largest exporters to Colombia. Colombian plastic products exports are concentrated in: slabs, sheets, films and plates (45.5%); items for packaging including caps and plastic zippers (18.3%); plastic and rubber footwear and its parts (6.6%); tubes and fittings of plastics pipes (6.5%) and plastic items for table or kitchen (6.2%). The United States, Venezuela, Ecuador are key export markets for Colombia.

TOTAL MARKET

OVERVIEW



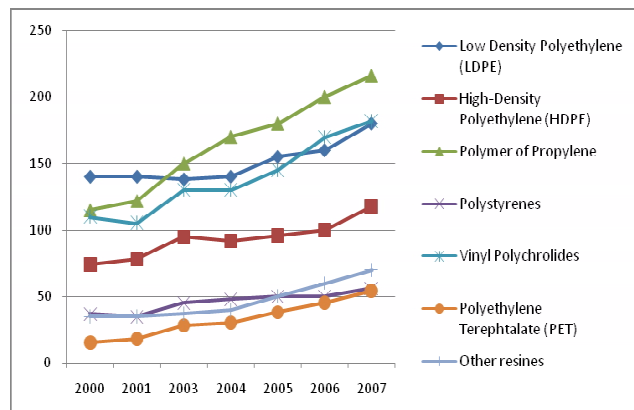
Source: DIAN,DANE, ACOPLASTICOS, WORLD TRADE ATLAS. Figures in millions of US Dollars.

The total market of Plastics and Resins has grown steadily during the last three years. In 2008, the market reached US\$1.8 billion dollar representing 15% growth over 2007; growth from 2006 to 2007 was 20%. Imports from the United States represent a large percentage of the total imports. In fact, in 2006, U.S. exports represented 37.4% of total imports and in 2008, U.S. products reached 42.6% of the total value imported. The amounts of the total imports and exports figures looks pretty similar but the materials are different. The resins imported are those which are not produced locally due to the technology needed to manufacture them. On the other hand, the exports are associated with materials significantly produced in the country and not totally consumed by the local demand.

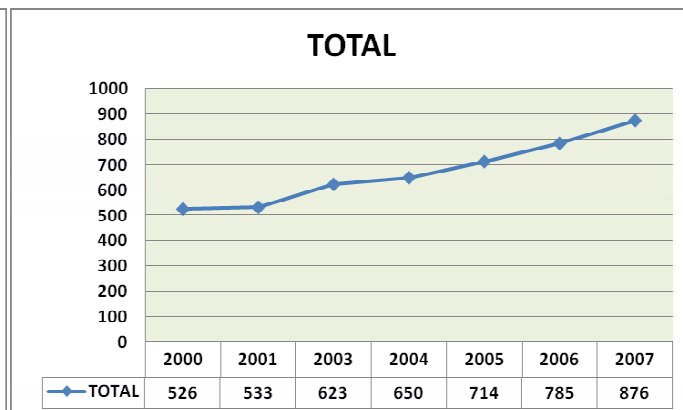
Best Prospects

BEST PROPECTS MATERIAL

TOTAL CONSUMPTION



Source: ACOPLASTICOS



Source: ACOPLASTICOS

As shown in the chart above, the demand for these resins has grown consistently since 2000.

The historic demand for resins shows an average increment of 9% per year (See the chart above). Total consumption for 2008 and 2009 are estimated to be 956 tons and 1040 tons per year respectively.

Best prospects for plastic resins imports for Colombia are:

MATERIAL	HARMONIZED SYSTEM CODE (HSC)
Polyethylene of 0.94 weight or more (HDPE)	390120
Polyethylene of 0.94 or less (LDPE)	390110
Polypropylene	390210
Polyvinyl Chloride	390421 390422
Polyesters	3907

Best products for plastics machinery and equipment are:

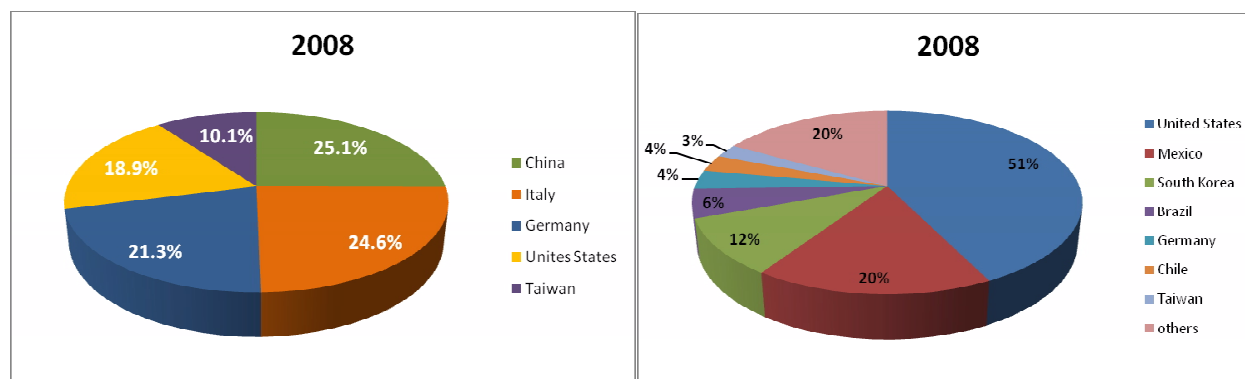
MACHINES	HARMONIZED SYSTEM CODE (HSC)
Injection Molding	847710
Extruders	847720
Blow Molding	847730
Vacuum Molding	847740

Key Suppliers

In 2008, China dominated the import market for plastics machinery (25.1%), followed by Italy (24.6%), Germany (21.3%), the United States (18.3%) and Taiwan (10.1%). Just two years prior, in 2006 and 2007, the main suppliers of plastics production equipment were the United States and Germany. China and Italy took the lead because their products were cheaper. The need for adequate after sales service and supplies are factors that currently and will continue to affect future sales for these countries.

IMPORTS MACHINERY FOR PLASTICS

RESINS IMPORTS



Source: World Trade Atlas, DANE

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Fifty-one percent of the total plastic and resins material imported in 2008 came from the United States, 20% and 12% came from Mexico and South Korea respectively. There are other countries such as Bulgaria, Spain, UK, China and Japan that, together, have 20% of the import market. The United States has been the major supplier of these materials for more than four years. Imports from Mexico, South Korea and Brazil have grown steadily. China has become the dominant player during the last three years and Venezuela, on the contrary, has lost significant market share dropping from number 3 on the list in 2006 to number 10 in 2008.

Prospective Buyers

As mentioned before there is an attractive market in Colombia for plastic and resins and production equipment since local industry does not have enough installed capacity to produce sufficient material for local consumption. The best prospective buyers are the big industry and PYMES (Small and Medium enterprises) in the following sectors:

- Packages and packing
- Construction
- Agro industry
- Home products

The materials with highest demand are:

- Slabs, sheets, films (HSC 3919,3920,3921)
- Plastic or Rubber footwear and its parts (HSC 6401,6402,640620)
- Plastic items for packaging (HSC 3923)
- Tubes and fittings for pipes (HSC 3917)
- Plastic items for kitchens and tables (HSC 392410)
- Synthetic or manmade bags and sacks to package material? (HSC 630532,63053310,63053320,630539)

Market Entry

Disclaimer: This information is derived from public sources and is current to the best of our knowledge. For detailed and definitive information about a country's laws and policies, the government of the country concerned should be consulted.

Distribution: A reliable distributor or representative is crucial to entering the Colombian market. Colombian law does not require foreign firms to secure local representation for private sector sales. However, Colombians prefer to deal with companies that have a local representative to ensure access to after-sales services. The one exception to this law is for sales to the government, which does require foreign bidders to have legal representation in Colombia. Payments are usually in Colombian pesos at the referential exchange rate of the day of payment and companies can pay vendors and distributors directly. Representative or distributors work with loans and letters of credit and other financial guarantees. Privately owned institutions buy from national distributors and representatives but also send their buyers abroad to buy from manufacturers and vendors, taking care of all imports proceeds through a Colombian agent. The largest institutions prefer to buy directly from representatives and distributors.

Entering in the Colombian market with new technology or new products requires promotion including the following: market exposure at national and international trade shows and expositions; publication in specialized magazines; accurate and complete information provided to specialized and related association(s) and advertising.

Regulatory Agency: The regulatory agency is the Industrial and Commerce Superintendence which is the government entity that controls and regulates all the activities of the industries and commerce in general. The Direction of Tariffs and Taxes (Dirección de Impuestos y Aduanas Nacionales-DIAN) is another government institution in charge of controlling imports and exports and enforcing regulations.

Import Process: Since 1990, Colombia has lowered and simplified its import tariffs. Import duties are quoted *ad-valorem* on the Cost Insurance Freight value of shipments. All duties (with few exceptions) have been consolidated into four tariff levels: a) 5 percent for raw materials, intermediate and capital goods not produced in Colombia, b) 10 percent and 15 percent for goods in the above categories but produced and registered in Colombia, c) 20 percent for finished consumer goods. For plastics and resins not produced in the country the tariff applied is 5 percent, for those produced by the local industry the tariff used usually is 10 to 15 percent.

For the import of Plastic and Resins material to Colombia it is necessary to be aware of the following general steps:

- Buy and fill out the Import Registration form. File the Import Registration form with MINCOMERCIO (Ministry of Commerce Agency). The form requires a complete product description and tariff classification.
- Obtain approval from MINCOMERCIO for the Import Registration Form or Import License (in the few cases when this is required).
- Make arrangements with a financial entity for payment of the importation.
- Ask the exporter to ship goods to a Colombian port.
- Request the Cargo Manifest from the transportation firm.
- Make arrangements with its SIAs (customs intermediaries *Sociedades de Intermediación Aduanera* or SIA) to receive the merchandise and get it out of customs. The following are the main steps to be followed:
 - Fill out the "Import Declaration" (*Declaración de Importación*). When the importation value is equal or more than USD 1,000, SIA should do all the paperwork and get the shipment out of Customs.
 - Fill out the "Andean Custom Value Declaration" (*Declaración Andina de Valor en Aduana*) when the importation value is equal or more than USD 5,000 FOB.
 - Go to an authorized financial entity and pay the import duties, VAT (Valued Added Tax), surcharges, and other fees.

- Present all documents to customs.
- Customs inspects the merchandise, when they consider it necessary, and then authorizes withdrawal of goods.

The importer must keep import documents for a period of not less than five years.

Market Issues & Obstacles

The Plastic and Resins industry in Colombia faces several challenges for the near future. One challenge is that the industry needs to adjust to the new variables affecting the Colombian economy and the global marketplace. Two examples of critical events are the price of oil and the international financial crisis both of which directly affect demand for plastic products. Both factors caused a key importer of Colombian plastic products, Venezuela, to drop from third to tenth place in 2008. This situation obliges industry leaders to be much more efficient in their operations and to study the market to anticipate the changes that result from new demands from the consumer. The industry also needs to modernize its installed capacity to prepare to compete under the rules of the different trade agreements Colombia plans to sign and implement with the United States, Central America, Chile, Canada, Peru, Mexico, Argentina and the European Union. The Government's objective is to have at least ten trade agreements signed with 54 countries by 2010.

The Colombian government is promoting the development of a coherent industry policy that will be in sync with commercial practices. Due to the fact that commodities comprise 65 percent of Colombian exports, the government wants to change this dynamic by increasing industrial productivity and promoting more aggregate value to the current exports. To achieve this objective, it is necessary to attract more foreign and local investment in order to update the level of technology employed and to acquire better management practices.

Trade Events

Some industry related events for 2009 are:

- The International Plastics Showcase NPE2009: June 22 - 26, Chicago-IL. www.npe.org
- AutomatISA: June 10-12, Bogotá, Colombia. www.feriaautomatisa.com

Resources and Contacts

- Banco de la República (Central Bank): www.banrep.gov.co. Tel: 1-334 7128, webmaster@banrep.gov.co
- Colombian Customs and Income Tax Offices (DIAN): Tel: 1-546 2200, internacionales@dian.gov.co
- World Trade Atlas / National Administrative Department (DANE): www.dane.gov.co
- Asociación Colombiana de Plásticos ACOPLASTICOS: Tel. 1 – 346 0655 www.acoplasticos.com
- United States Department of Commerce: www.export.gov/

For More Information

The U.S. Commercial Service in Bogota, Colombia can be contacted via e-mail at: juan.antia@mail.doc.gov ; Phone: (571) 383 2764; Fax: (571) 315 2190; or visit our website: www.buyusa.gov/colombia/en

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